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| TOPIC | GAAP REPORTING | SUB-SECTION 23.30.20 |
| SECTION | FUND FINANCIAL STATEMENTS | ISSUANCE DATE June 30, 2011 |
| SUB-SECTION | GAAP ADJUSTMENTS | REVISED - 2018 |

GAAP ADJUSTMENTS

GAAP adjustments are necessary to properly reflect the fiscal year account balances. GAAP adjustments include accrual of revenue and expenditures/expenses posted in the subsequent fiscal year, current year adjustments, and reclassifications. Each agency is responsible for identifying and preparing the GAAP adjustments necessary to complete its financial statements.

TYPES OF GAAP ADJUSTMENTS

The following are different types of GAAP adjustments identified by the document type:

- Y0, Y1 - Adjustments made by agencies or OFR in GAAP packet preparation and review.
- Y2, Y3 - Adjustments made by OFR during the compilation process.
- Y4, Y5 - Adjustments made by the State Auditor's Office.

ACCOUNTS NOT TO ADJUST

Balances in the following account groups are the result of transactions in the State Treasury and should not be adjusted with GAAP entries:

- Equity in Internal Investment Pool
- Warrants Payable groups

The following balances are the results of customer invoices, vendor invoices, or goods/invoice receipts. An adjustment will be required in MAGIC to correct balances in these open item managed accounts:

- 12000000 – Accounts Receivable – Current
- 13010000 – Due from Other Governments – Current
- 13500000 – Due from Other Funds
- 13700000 – Due from Component Units
- 20200000 – Accounts Payable
- 20201000 – GR/IR Clearing
- 21000000 – Due to Other Governments – Current
- 21200000 – Due to Other Funds
- 21300000 – Due to Component Units

Fund Balance/Net Position should not be adjusted, however, it may be necessary to make a reclassification entry between fund balance (i.e. nonspendable inventory, nonspendable principal, restricted for debt service) or net position (i.e. net investment in capital assets) accounts.

GAAP ENTRY REVERSAL

Year-end accruals are based on lapse period transactions, estimates, and expected transactions. An accrual is recorded in one accounting period and fiscal year and reversed by OFR in a future accounting period and fiscal year. Document types Y1, Y3, and Y5 are used to record activity that should be reversed. When a GAAP entry is reversed it will net with the actual receipt or payment, preventing the overstatement of revenues or expenditures. If a GAAP entry is not properly reversed, a correcting entry must be made the next time GAAP packets are prepared.

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The following types of adjustments are normally set up to automatically reverse:

- Recording of revenue and expenditure accruals

The following types of adjustments are normally **not** set up to automatically reverse:

- Recording of current year revenues and expenditures on checking accounts
- Adjusting investment accounts to the current balance
- Adjusting only the revenue statement or only the balance sheet (i.e. reclassification entries)